

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6191
ANSWERED ON:06.05.2005
MONITORING OF URBAN CO OPERATIVE BANKS
Madhwaraj Smt. Manorama

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India had taken stringent measures to closely monitor the operations of Urban co-operative banks in the country;
- (b) if so, the details thereof;
- (c) whether the RBI had conducted an inspection of the Bangalore Souhardha Central Co-operative Bank last month and discovered NPA exceeding the mandatory limit of 10 per cent of the deposits to the extent of 48 per cent;
- (d) whether the RBI had conducted such inspection/audit of the bank earlier than January, 2005; and
- (e) if so, when

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) and (b): During the calendar year 2004, RBI had cancelled license of 46 Urban Co-operative Banks (UCBs). Further, the RBI is continuously seeking to improve its supervisory mechanism and also consolidate the prudential regulatory framework with a view to building a sound UCB sector. Reserve Bank of India has taken certain measures to closely monitor the operations of the UCBs:-

(i) Ban on any type of loans and advances to director and their relative from 1st October, 2003.

(ii) The UCBs that were hitherto classified as weak and/or rick are now assigned a grade i.e. Grade-III and Grade-IV. Higher the grade, higher the level of supervisory concern.

(iii) UCBs have been advised to indulge at least two Directors with professional qualification/background in banking related fields with a view to bring in better corporate governance practices.

(iv) The UCBs have been advised to refrain from increasing their exposure to sensitive sector like real estate and stock market.

(c), (d) and (e): RBI conducted the inspection of the bank in September, 2004 with particular reference to bank financial position as on June 30, 2004. One of the major irregularities was that the gross Non Performing Assets were Rs. 4653.64 lakh which formed 47.1% and net NPAs were Rs. 3493.04 lakh which forms 40.1% of loans and advances.